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## TOWN OF LOS GATOS

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**May 7, 2007**

Honorable Mayor and Town Council

I am pleased to submit to you the Proposed FY 2007-12 Five-Year Capital Improvement Program (CIP) for the Town of Los Gatos. The CIP is a comprehensive plan that identifies capital projects related to the Town's future infrastructure needs and the corresponding funding required for those projects.

In March 2007 the Town Council established its FY 2007/08 Strategic Goals and Priority projects. One of these goals is to maintain the condition and availability of public facilities, transportation systems, and other public infrastructure. The Council identified a priority under this goal to address funding needs for street maintenance, sidewalks, and retaining walls. FY 2007/08, the first year of the five-year plan, funds these basic infrastructure needs including street repair and reconstruction; street safety projects; retaining walls; and sidewalk curb, and gutter projects totaling approximately \$5.6 million. Additionally, the CIP funds improvements to the Town's parks and other public facilities.

The proposed five-year plan totals \$15.8 million dollars. \$7.3 million is being proposed in the first year of the plan and is comprised of approximately \$4.9 million in carryover funds from FY 2006/07 and approximately \$2.4 million in funding for new projects and/or additions to existing projects.

### **CIP FINANCIAL OVERVIEW**

As in past years, the Town continues to be challenged by the lack of a reliable revenue stream for capital improvements. Fortunately, because of prior year budget savings and increased revenues above budget estimates, the proposed FY 2007-2012 CIP includes an annual transfer of \$525,000 from the General Fund for the Town's capital program in FY 2007/08, rising to \$650,000 annually in FY's 2008/09 thru 2011/12 if current projections hold true. This is a substantial increase from the FY 2006/07 adopted CIP budget amount of \$150,000. This annual transfer is funded by the \$4.2 million in the General Fund Appropriated Reserve for Future and Special Projects. The increased funding capacity from this reserve greatly aids the Town's ability to implement the CIP; however, the proposed new level of annual funding still falls short of the required funding necessary for future annual infrastructure maintenance or to build new facilities. Establishing a reliable, dedicated source of funding for basic capital improvements beyond these means remains a goal for the Town.

The second largest source of funding for infrastructure improvements is long-term debt. The Town successfully issued approximately \$10.7 million in Certificates of Participation (COPs) in July 2002 to provide funding for eligible priority projects within the Redevelopment Agency's project area. Notable improvements included the Town Plaza Reconstruction, Downtown Streetscape and Street Reconstruction, and Alleyway projects in the Downtown Redevelopment Project Area. The unspent bond proceeds remaining from the July 2002 COP's (approximately \$300,000) is carried forward to FY 2007/08 and funds various downtown street improvements and the preliminary design work for the Santa Cruz Avenue Gateway projects. Another round of RDA debt financing is anticipated to be issued before December 25, 2011, the latest date the Agency can secure new debt under State law. The current estimate

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of potential future borrowing capacity is \$13 to \$15 million. This preliminary estimate is subject to change and will be refined based on the analysis of the growth rate of the RDA tax increments. The bond issuance is under development.

The remaining sources are primarily one-time funds from State or Federal government or from special revenue funds that have often fluctuated in tandem with the economy and the state budget. Examples of one-time funds include State Propositions 12 and 40 Park bonds, State Proposition 1B Transportation Improvement funds and State Proposition 42 Gas Tax funds. The proposed Five-Year CIP reflects only \$2.5 million in ongoing dedicated sources (Gas Tax) to help fund the proposed \$15.8 million of planned capital improvements. The balance of CIP funding of \$13.3 million is funded by:

- Accumulated operating budget savings/excess revenues from the General Fund (\$7.7 million)
- Grant Funds (\$3.4 million)
- Traffic Mitigation Funds (\$1.0 million)
- Utility Undergrounding Funds (\$800,000)
- Redevelopment Agency bond proceeds from the FY 2002/03 financing (\$300,000)
- Storm Drain Funds (\$100,000)

All physical assets, such as road surfaces and buildings, have a useful life and must be refurbished, reconstructed, or replaced. A regular program of preventive maintenance and repair can extend the useful life of these assets. Despite the cyclical nature of some of the revenue sources outlined above, the Town is committed to maintaining its infrastructure assets.

## CIP PROCESS OVERVIEW

The Proposed FY 2007-12 CIP is a comprehensive five-year capital improvement plan designed to identify projects and funds required to adequately develop and maintain the Town's infrastructure, which is consistent with the Town Council strategic goal of maintenance of the condition and availability of public facilities. The following plans provide additional guidance in developing priorities for capital improvement projects:

- General Plan
- Street Improvement Program
- Storm Drain Master Plan

In addition, project prioritization criteria such as health and safety issues, infrastructure or system condition, short-term versus long-term impacts, and availability of external funding sources are identified and assessed as part of the process that staff uses to rank projects from high to low in preparing the proposed CIP for Council consideration. As it develops and matures in its application, the Town's Infrastructure Assessment Program will further support the Town's long-range Capital Improvement Program, focusing attention on the current and future infrastructure needs of the community and balancing the community's needs with funding requirements and financial resources. Other technology tools used in CIP development include the use of the geographic information system, the traffic monitoring system, electronic files for tracking unfunded projects and replacement schedules, and an asset management program to track work requests.

## Capital Programs Description

The Town's capital projects are categorized as follows:

*The Streets Program* provides funding for a functional street and pedestrian system. Proposed projects are consistent with the General Plan; provide for a safe and efficient traffic flow through intersections while minimizing unnecessary traffic movement and noise through residential

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neighborhoods; and provide street lighting for traffic safety at intersections and on public streets. Also included are sidewalk improvements. The primary source of financing for this program comes from year-end General Fund savings, Redevelopment Agency funds, and Gas Tax Fund revenues.

Within the Street Program, two projects will use funding from the Storm Drain Fund in FY 2007/08 as they include the construction of drainage facilities in addition to other street improvements. This program relies on a previously established Town charge of 75 cents per square foot of impervious surface created by development. These fees typically produce \$100,000 to \$250,000 in revenues on an annual basis, depending upon the levels of development activity. These fees have not been adjusted for a number of years. To adjust fees, a fee study of the cost of future storm drain system improvements arising from development impacts would need to be completed. Any fee change would require approval through the public hearing process used for all Town fees and charges.

The Utility Undergrounding Fund is another funding source for activities generally undertaken in conjunction with street improvement projects. The Utility Undergrounding funding is derived from a Town construction tax of 18 cents (subject to voter approval) charged for each square foot of building addition or alteration within the Town, and from Rule 20A funds allocated from a percentage of electric bills. The Town's allocation typically is in the range of \$150,000 annually. Total cash balances currently on hand from the utility undergrounding construction tax are approximately \$2.2 million at FY 2006/07 year end. \$800,000 in funding for Highway 9 in the vicinity of University and Santa Cruz Avenues utility undergrounding project is being proposed in years three and four of the FY 2007/08-2011/12 CIP.

***The Public Facilities Program*** includes projects for constructing and repairing public buildings, and purchasing equipment. Town buildings include the Civic Center, Neighborhood Center, Service Center, Tait Avenue and Forbes Mill Museums and partial service to the Recreation Center, which is a Town-owned building leased to the Los Gatos-Saratoga Recreation District. There is no designated revenue source for this program. Any allocations generally come from General Fund savings unless projects qualify for grant funds, such as Community Development Block Grant funds for ADA improvements. Although the Town owns the three fire stations within the Town limits, the Santa Clara County Fire District maintains them per its contract with the Town.

***The Parks Program*** includes projects for parks, park buildings, urban forestry, and urban beautification. There is no designated revenue source for this program except for budgeted allocations from General Fund savings, grants and State park bond funds.

### **CIP Development Process**

The long-term Capital Improvement Program (CIP) includes projects that have a value of \$25,000 or more with a minimum useful life of 5 years at a fixed location. Equipment, operating and maintenance costs associated with the CIP projects are identified where feasible, and will be included in future operating budgets. Cost estimates for new projects are based on 2007 dollars; however, engineering estimates for carryover projects from the prior year are updated to reflect current industry costs.

Under direction from the Town Manager's Office, the Parks and Public Works Department took the lead in the preparation of the proposed projects for consideration in the FYs 2007/08-2011/12 Capital Improvement Plan. In coordination with other Town departments, projects were reviewed to ensure that the Town's priorities are addressed in the proposed program within available resources. In some cases, previously approved projects have been deferred due to reallocation of funding to other priorities and thus have been noted as unfunded projects in each program section of the CIP.

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The Town Manager's Office reviews the prioritized list of proposed capital improvement projects and funding sources in conjunction with the preparation of the FY 2007/08 Operating Budget. The Proposed CIP is then presented by the Town Manager to the Town Council. The Proposed CIP is also submitted to the Planning Commission for review to ensure that the proposed projects are consistent with the Town's General Plan. The Planning Commission reviewed the CIP on April 11, 2007.

### Prior Year Accomplishments With Special Emphasis on Transportation Improvements

Since FY 1997/98, the Town has made substantial investments in its transportation infrastructure and has completed a number of successful traffic circulation, pedestrian safety, and neighborhood traffic projects as briefly discussed below:

#### Street Reconstruction and Maintenance

The following table summarizes the funding sources of the high priority CIP street reconstruction & resurfacing projects expended by the Town since FY 1997/98 through the current year. The total value of this investment is approximately \$18.3 million. Looking into the future, the proposed CIP includes approximately \$8.3 million of additional street improvements over the next five years.

Expenses & Funding Source	Expended FY 1997/98 thru FY 2006/07	Estimated Carryforward to 2007/08	New Funding 2007/08 thru 2011/12	Total Funding 2007/08 thru 2011/12
GFAR	\$ 10,626,563	\$ -	\$ 3,506,000	\$ 3,506,000
Traffic Mitigation	-	-	975,000	\$ 975,000
Gas Tax	4,395,572	-	2,540,000	\$ 2,540,000
Utility Undergrounding	-	-	800,000	\$ 800,000
RDA	2,901,218	134,493	45,507	\$ 180,000
STP Grants	384,068	-	272,170	\$ 272,170
<b>TOTAL</b>	<b>\$ 18,307,421</b>	<b>\$ 134,493</b>	<b>\$ 8,138,677</b>	<b>\$ 8,273,170</b>

Included with the \$18.3 million dollars of street improvements made since FY 1997/98 are significant projects completed in recent years, including street reconstruction, repaving of major arterials and collectors, and neighborhood streets including:

- Los Gatos Boulevard Resurfacing from Lark to Blossom Hill
- North Santa Cruz Avenue Reconstruction
- East Main Street Resurfacing
- University Avenue Resurfacing
- Los Gatos Almaden Road Resurfacing from Los Gatos Boulevard to Camino Del Cerro (within entire Town Limits)
- Re-paving of Blossom Hill Road (within entire Town Limits)
- Reconstruction and resurfacing Kennedy Road from Los Gatos Boulevard to South Kennedy Road
- Various treatments to residential streets as follows:
  - 25.0 miles of slurry seal
  - 14.69 miles of asphalt overlay
  - 9.2 miles of rubber cape seal
  - 3.11 centerline miles of street reconstruction

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In addition to the substantial street reconstruction and repaving efforts completed in recent years, the Town has invested in other components of the Town's transportation system infrastructure, including:

### Retaining Wall Replacement:

Several retaining walls were repaired and replaced that had become structurally deficient including the walls on Kimbal Ave, Reservoir Road, Jackson Ave, Villa and Oak Hill Way.

### Safe Routes to School:

New sidewalks were installed and pathways were resurfaced at several locations throughout the Town as part of the program, including:

- Los Gatos Boulevard, near Nino and Shannon Roads
- Blossom Hill Road, near Roberts Road (including a retaining wall)
- Blossom Hill Road between University Ave and Roberts Road West
- Roberts Road, between Fisher Avenue and George Street
- Winchester Boulevard between Daves and E. Vineland Avenues

Traffic control timings were upgraded and crosswalks were re-striped at signalized intersections near all elementary schools. "Pedestrian crossing" signs were upgraded to the new bright green style for higher visibility near school crosswalks. Pedestrian countdown signals were also installed at signals near the elementary schools on Los Gatos Blvd. to further enhance pedestrian safety.

New traffic signals were installed at the intersection of Daves Avenue and Winchester Boulevard to provide safer pedestrian crossing and better bicycle access to Daves Avenue School and nearby parks.

### Pedestrian Walkway Improvements:

Pedestrian pathways were repaired or repaved at the following locations:

- Rinconada Park, El Monte Hill, Fairview and College Avenue pathways

Bridge decking projects was repaired including:

- Ross Creek Bridge Decking
- Los Gatos Creek Trail Bridge Decking

Bridge Seismic Retrofitting projects were successfully completed:

- Blossom Hill Road Bridge, near Roberts Road over Los Gatos Creek
- Lark Avenue Bridge, near University Avenue over Los Gatos Creek

Pedestrian Crosswalk Improvements: Four high traffic crosswalks were upgraded with the installation of center medians providing a safer pedestrian environment at the following intersections:

- Highway 9 at Massol
- Los Gatos Almaden Road at Cherry Blossom
- North Santa Cruz Avenue at Roberts Road
- Carlton Avenue at Lester Lane

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Traffic Calming Projects: Twelve projects were completed in recent years, including five official neighborhood projects focusing on:

- Glen Ridge Avenue
- Ferris Avenue
- Johnson Avenue
- Chirco Area
- Longridge Avenue

The other projects addressed neighborhood issues by upgrading or installing new signs, trimming bushes as needed and supporting the Police Department efforts to improve driver education and increase pedestrian safety with speed display boards. A new project for the 100-200 block of Massol Avenue began during FY2006/07. The Wraith Area project is on hold until a nearby development project is completed so staff can better evaluate the new traffic impacts needs.

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### **FY 2006/07 Completed Projects:**

A number of high priority projects are anticipated to be completed in FY 2006/07 as depicted in the following schedule. A more detailed description of the completed projects is included in the Introduction section of this document.

#### PROJECTS COMPLETED IN FY 2006/07

	GFAR	Grant and Awards	RDA	Other *	Total Estimated
	Exp	Exp	Exp	Exp	Exp
<b>Street Program</b>					
Downtown Street Resurfacing	-	-	\$ 2,631,447	-	\$ 2,631,447
Los Gatos Almaden Street Imprv	\$ 255,000	\$ 393,214	-	\$ 132,308	780,522
Wedgewood Ave Street Imprv	-	-	-	275,000	275,000
Blossom Hill Rd Sidewalk Imprv	153,120	-	-	-	153,120
Retaining Wall Repl - Villa Ave	150,000	-	-	-	150,000
Curb, Gutter & Sidewalk Imp	143,553	-	-	-	143,553
E Main Street Storm Drain	-	-	-	75,000	75,000
Oak Meadow Park - Retaining Wall	11,500	50,460	-	-	61,960
College Ave Walkway Repairs	-	53,882	-	-	53,882
Johnson Ave Storm Drain	-	-	-	40,000	40,000
N. Santa Cruz / Roberts Crosswalk	18,840	-	-	14,150	32,990
Town-wide Street Restriping	28,559	-	-	-	28,559
Knowles Ave Railroad Crossing	22,700	-	-	-	22,700
Traffic Calming- Longridge Road	11,000	-	-	-	11,000
<b>Park Program</b>					
Balzar Field Facility Improvements	13,826	141,174	-	-	155,000
Belgatos Parking Lot Resurf	-	95,000	-	-	95,000
Blossom Hill Park Pathway	-	85,000	-	-	85,000
Shannon Trail Construction	59,000	-	-	-	59,000
LG Creek Trail - Pathway Resurf	-	55,000	-	-	55,000
Live Oak Manor Park Imprv	-	38,000	-	-	38,000
Oak Meadow Restroom Repairs	-	30,688	-	-	30,688
<b>Public Facilities Program</b>					
Civic Center HVAC System Upgrade	-	-	-	502,080	502,080
Permit Tracking System Update	309,300	-	-	-	309,300
PD Computer Aided Dispatch	130,000	-	-	-	130,000
Civic Center Leak Repairs	113,732	-	-	-	113,732
Tait Museum Roof Replacement	75,000	-	-	-	75,000
Telephone System Upgrade	70,000	-	-	-	70,000
Recreation Bldg ADA Restrooms	-	45,000	-	-	45,000
<b>TOTAL OF COMPLETED PROJECTS</b>	<b>\$ 1,565,130</b>	<b>\$ 987,418</b>	<b>2,631,447</b>	<b>\$ 1,038,538</b>	<b>\$ 6,222,533</b>

\* Other Funds include Storm Drain Fund, Gas Tax Fund, and RDA Capital Fund.

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### PROPOSED FY2007-2012 CIP OVERVIEW

The Capital Improvement Program is broadly grouped into:

- Street Projects
- Park Projects
- Public Facilities Projects

The proposed CIP projects represent Carry-forward projects from the prior year as part of the multi-year programming of projects and new projects not previously programmed.

Of the total estimated five-year CIP cost of \$15.8 million, approximately \$13.8 million (87.3%) is allocated to the street category, \$1.2 million (7.6%) is allocated to park projects and over \$800,000 (5.1%) to public facility projects.

Allocations are summarized below by type of major improvements within the program categories.

Five Year CIP Summary	Carryfwd to 2007/08	2007/08	2008/09	2009/10	2010/11	2011/12	Total By Category	Total By Program
<b>Streets</b>								
Reconstruct/Resurfacing	134,493	1,501,877	1,184,200	1,184,200	1,184,200	1,184,200	6,373,170	
Maintenance & Safety	1,263,645	605,000	440,000	390,000	390,000	390,000	3,478,645	
Street Improvements	65,000	-	115,000	10,000	1,565,000	150,000	1,905,000	
Bridges	2,056,783	-	-	-	-	-	2,056,783	13,813,598
<b>Parks</b>								
Park Improvements	1,120,957	-	71,118	-	-	-	1,192,075	
Trail Improvements	-	30,000	-	-	-	-	30,000	1,222,075
<b>Public Facilities</b>								
Infrastructure Projects	129,382	166,500	25,000	75,000	50,000	50,000	495,882	
Equipment Projects	133,910	115,000	58,600	-	-	-	307,510	803,392
<b>TOTALS</b>	<b>4,904,170</b>	<b>2,418,377</b>	<b>1,893,918</b>	<b>1,659,200</b>	<b>3,189,200</b>	<b>1,774,200</b>		<b>15,839,065</b>

Total funding for street resurfacing for the next five years is planned at \$6,373,170, with \$1,636,370 allocated in FY 2007/08.

Over the five-year period, the CIP proposes \$7,440,428 for various other infrastructure improvements including street maintenance; curb, gutter & sidewalk maintenance; Highway 9 safety improvements; retaining wall repairs; storm drain improvements; crosswalk ramps and crosswalk safety devices; and the installation of new intersection traffic signalization devices for improved vehicular flow.

The proposed funding and scope for the annual sidewalk repair and replacement maintenance program could be enhanced through cost-sharing with property owners. Staff continues to recommend a dialogue with the community to explore this concept as a way to leverage available funds. After the last discussion of this proposal, the Town Council asked staff to schedule a public hearing on this concept. Due to other workload priorities this has not yet occurred, however it will remain on staff's workplan until completed.

Although the Proposed FY 2007-12 CIP is a five-year plan, only the first year of the plan is formally adopted with funds appropriated by the Town Council as part of the budget process. Future year projects are funded with designated cash reserves on hand, supplemented by estimated annual revenues for capital funding purposes such as Gas Tax funds and state transportation bond funds. The scope and funding estimates may change as the fiscal situation and evolving priorities dictate.



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As mentioned earlier, the proposed FY 2007/08 CIP totals \$7,322,547. Of this amount, \$4,904,170 represents carryforward funds available from the prior year. The following schedule lists the carryforward and new projects by fund and by program for appropriation in FY 2007/08.

### Carryforward & FY 2007/08 CIP Projects

		GFAR	Grants and Awards	Gas Tax	Other	Total
<b>CARRYFORWARD PROJECTS</b>						
<i>Streets</i>	Roberts Rd - Bridge Replacement	\$ 292,220	\$ 1,678,850	-	-	\$ 1,971,070
	Street Repair & Resurfacing	644,200	-	500,000	-	1,144,200
	Hwy 9 Safety Improvements	-	933,879	-	169,000	1,102,879
	Retaining Wall Repairs	375,766	-	-	-	375,766
	Curb, Gutter, and Sidewalk Repairs	200,000	-	-	-	200,000
	Quito Rd - Bridge Replacement	85,713	-	-	-	85,713
	Traffic Calming Projects	80,000	-	-	-	80,000
	School Route Eval and Design	30,000	-	-	-	30,000
	Annual Street Restriping	25,000	-	-	-	25,000
<i>Parks</i>	Skateboard Park (Planned Donations)	863,470 *	-	-	100,000 **	963,470
	Bachman Park Irrigation Upgrades	-	95,000	-	-	95,000
	Park Grant Funds to be Allocated	62,487	-	-	-	62,487
<i>Public Facilities</i>	Information System Upgrade	133,910	-	-	-	133,910
	Civic Center Master Plan	100,000	-	-	-	100,000
	Town Beautification Projects	97,753	-	-	-	97,753
	Town Infrastructure Needs	24,240	-	-	-	24,240
	CDBG ADA to be Allocated	-	7389	-	-	7,389
<b>TOTAL OF CARRYFORWARD PROJECTS</b>		<b>\$ 3,014,759</b>	<b>\$ 2,715,118</b>	<b>\$500,000</b>	<b>\$269,000</b>	<b>\$ 6,498,877</b>
<b>NEW PROJECTS</b>						
<i>Streets</i>	Highway 9/University Ave. Intersection	-	-	-	-	-
	Rehabilitation of HillsideStreets	-	272,170	40,000	-	312,170
	Elm Street Reconstruction	-	-	-	100,000	100,000
	Almond Grove Reconstruction	-	-	-	80,000	80,000
	Santa Cruz/Wood Gateway Design	-	-	-	65,000	65,000
	N. Santa Cruz Lighting	-	-	-	55,000	55,000
<i>Parks</i>	LG Creek Trail - Split Rail Repair	30,000	-	-	-	30,000
<i>Public Facilities</i>	Library Circulation Mgmnt Project	115,000	-	-	-	115,000
	ADA Civic Center Update	-	41,500	-	-	41,500
	Neighborhood Center Kitchen Upgrade	25,000	-	-	-	25,000
<b>TOTAL OF NEW PROJECTS</b>		<b>\$ 170,000</b>	<b>\$ 313,670</b>	<b>\$ 40,000</b>	<b>\$300,000</b>	<b>\$ 823,670</b>
<b>TOTAL OF CARRYFORWARD &amp; NEW PROJECTS</b>		<b>\$ 3,184,759</b>	<b>\$ 3,028,788</b>	<b>\$ 540,000</b>	<b>\$569,000</b>	<b>\$ 7,322,547</b>

\* \$775,000 Fund Raising Goal; \$88,740 FY 2007/08 Carryforward of \$100,000 approved funding

\*\* \$100,000 Monte Sereno's Park Grant Contribution

### Ongoing Funding Needs for Street Reconstruction and Maintenance

Nearly two-thirds (62%) of proposed CIP funding is allocated to street reconstruction and maintenance projects. This emphasis reflects the Town Council's priority to address street maintenance needs. The goal is for Town streets to be at an average Pavement Condition Index of 75 (100 being the highest rating possible). Since FY 1997/98, the Town has invested nearly \$18.3 million towards this goal, raising the PCI from a low in past years of 64 to a current value of 75.

An annual investment of approximately \$1.5 to \$2.0 million is required to maintain the PCI at its current level of 75 over a period of five years. This funding requirement is based on criteria set forth in the 2002 Town-wide Pavement Management Program coupled with inflationary factors and the current cost of

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materials. Given other capital needs, the five-year CIP programs only \$1.2 million per year for street projects. Although this is an increase of \$525,000 from the last fiscal year, the \$1.2 million investment is considered insufficient to preserve the Town's street condition at the current PCI level of 75 for five years. The \$1.2 million investment will likely result in a PCI level of 74 or lower over the five-year period and an increase in deferred maintenance costs. It is important to note that under either funding level (\$1.2 million or \$1.5 million), the deferred maintenance associated the Town's streets in the worst condition continues to grow. New, ongoing revenue sources must be found to replace and augment one-time sources if the Town desires to maintain an acceptable PCI in future years.

### Potential Funding Sources

As discussed earlier, it is estimated that an annual \$1.2 million will be available for street repair and maintenance in the five-year period FY2007/087 through FY 2011/12. As illustrated in the chart below, funding for street repair is based on revenue from a variety of sources, including gas tax, transfers from the General Fund Designated Reserve, and General Fund Appropriated Reserve Fund, which include Proposition 1B and 42 funds.

Potential Funding Source	Annual Estimated Amount Per Five- Year CIP
Gas Tax Funds	\$500,000
Transfer from General Fund Designated Reserve	350,000
General Fund Appropriated Reserve Fund:	
Proposition 1B Annual Estimate	184,000
Proposition 42 Annual Estimate	150,000
<b>Five-Year CIP Estimated Annual Total</b>	<b>\$1,184,000</b>

Gas tax revenue comprises nearly half (\$500,000) of the scheduled \$1.2 million annual funds available for street maintenance, followed by the General Fund Designated Reserve (\$350,000). This year, it is estimated that the Town will receive \$184,000 in Proposition 1B funds and \$150,000 in Proposition 42 funds. Proposition 1B bond funding is considered to be a short term funding source lasting approximately five years, while Proposition 42 is a year-to-year allocation subject to approval of the State budget.

Assuming that the proposed five-year CIP annual investment of \$1.2 million in streets, including the \$500,000 annual allocation of gas tax funds continues to be available, options for achieving the additional \$300,000 a year (to arrive at the annual investment target of \$1.5 million) for consideration include:

- Reducing the operating budget by \$300,000 and allocating it annually to the street program.
- Continuing the current method of allocating unexpended operating costs from year to year, assuming that sufficient funds will be available. This approach could involve increasing the percentage of funds allocated to street repair and reducing the amount allocated to other capital projects.
- Exploring the feasibility of new revenue sources, such as a voter-approved General Obligation Bond, the formation of an assessment district located in specific areas, or other variations of debt financing.

Staff will continue work within funding limitations to address the Town's overall pavement conditions while ensuring the continue use of best practices in materials, selection, and construction/project management.

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### **Highlights of Proposed New and Ongoing Projects FY 2007/08**

Highlights of new and selected carryover projects by category and dollar amounts proposed to be funded in the CIP for FY 2007/08 include:

#### ***Street Program***

##### **Repair, Maintenance & Safety:**

***Street Repair and Resurfacing*** – (\$1,144,200) This is an ongoing project to rehabilitate the Town's streets to enhance vehicular safety and to maintain the Town's roadway infrastructure. The FY 2007/08 Street Repair program will focus on Town-wide arterials and neighborhood streets as prioritized for the year. The list of streets will be identified at the time the specifications are brought forward for Council approval anticipated for the spring of 2008.

***Highway 9 Safety Improvements*** – (\$1,102,879) The CIP proposes to carry forward funding for a multi-agency pedestrian and bicycle safety improvement project to improve the safety of the Highway 9 corridor linking the communities of Los Gatos, Monte Sereno, and Saratoga. The project is planned for FY2007/08.

***Retaining Wall Repairs*** – (\$375,766) The Retaining Wall Repair and Replacement project funds the repair and/or the replacement of retaining walls that have become structurally deficient. The construction of the retaining wall at Cleland Avenue above the Pageant Grounds is planned during FY2007/08.

***Rehabilitation of Hillside Streets*** – (\$312,170) This project will rehabilitate several hillside "collector" streets including College Avenue, Kennedy Road and Prospect Avenue. These roads serve many residents in the hillside neighborhoods and are the residents' only access to the Town and points beyond. The roads are in overall poor condition and have a Pavement Condition Index (PCI) under 50. Given the level of use and condition, the streets are primary candidates for rehabilitation.

***Curb, Gutter & Sidewalk*** – (\$200,000) The CIP proposes continuing funding for the ongoing annual repair and replacement of hazardous sidewalks, curbs and gutters throughout the Town to enhance pedestrian and bicyclist safety and comfort, and improve street drainage along the gutter line. STP grant funding is anticipated.

***Elm Street Reconstruction*** – (\$100,000) This short street between University and N. Santa Cruz Avenues is in heavy use by both businesses and residents. It is the only street in the downtown area that is in extremely poor condition. The reconstruction project will remove and reconstruct this street and pave it with asphalt.

***Almond Grove Pilot Project*** – (\$80,000) This project funds a pilot study to evaluate methods for the rehabilitation of concrete roadway, curb, gutter and sidewalk in the Almond Grove Area.

***N. Santa Cruz Lighting*** – (\$55,000) The lighting project will cover the section of street on North Santa Cruz Avenue between Highway 9 and Broadway, and the Town Plaza at Montebello Way completing improvements as part of the Downtown Streetscape Improvement Project and involves adding new fixtures, upgrading wiring and repainting street light poles, as needed.

# PROPOSED CAPITAL IMPROVEMENT PROGRAM

## Introduction Section

***Traffic Calming Projects*** – (\$80,000) These carryover funds are proposed to address and mitigate traffic issues in neighborhoods near schools. A new project began in FY2006/07 at the Massol Avenue neighborhood. Installation of speed display boards at the school zone entrances on Los Gatos Blvd and Blossom Hill Road is planned during the summer of 2007.

***School Route Evaluation and Design*** – (\$30,000) This project will evaluate the pedestrian access around Fisher and Van Meter schools and prepare a concept design for future use, including a future SR2S grant application.

### **Bridges:**

***Roberts Road Bridge Replacement*** – (\$1,971,070) – funded 80% by Caltrans & 20% Town match) Carryover funds are proposed in the CIP to replace the existing Roberts Road Bridge, which has deteriorated significantly over time due to erosion. The bridge replacement will provide a proper width to improve sight distance and traffic safety, placement of the utility lines inside the structure, and seismic protection. The design of the project is currently underway.

### ***Parks Program***

***Bachman Park Irrigation Upgrades*** – (\$95,000) Carryover State Parks Bond ( Proposition 40) funds are proposed to replace the park's outdated and inefficient irrigation system with newly designed and upgraded irrigation controllers to better manage irrigating the hilly park. One anticipated outcome is reduced water use and corresponding reduced expenditures.

***Los Gatos Creek Trail – Split Rail Replacement*** – (\$30,000) Carryover funds are proposed in the CIP to replace several sections of split rail fencing along Los Gatos Creek Trail. Staff will review fencing options and the most efficient replacement material for the various locations on this popular trail.

***Skateboard Park*** – (\$963,470) The CIP proposes to carryover funding from the prior year for partial funding of the design and construction of a skateboard park to promote youth and family skateboarding activities. Most of the carryover funding (\$775,000) is proposed in the CIP to be funded through community donations. The balance is proposed through Town and State grant funding (\$88,740 remaining from the Town's \$125,000 contribution and \$100,000 from Monte Sereno's park grant funding).

### ***Public Facilities Program***

#### **Infrastructure:**

***Civic Center Master Plan*** – (\$100,000) This project will fund initial steps toward implementation of the Civic Center Master Plan, expected to be approved by the Town Council in June, 2007. Initial steps may include the development of a detailed financial analysis, and outreach and education effort to inform the community about the CCMP and a follow-up survey to gauge voter support for financing mechanisms to support the first phase(s).

***Town Beautification Projects*** – (\$97,753) The Town Beautification Program was established to provide improvements to enhance the Town's beauty, particularly along public streets, sidewalks, and other Town property. Street median improvements and new street banner installations are planned for FY 2007/08.

# PROPOSED CAPITAL IMPROVEMENT PROGRAM

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## Introduction Section

***ADA Civic Center Upgrades*** – (\$41,500) This project is to upgrade the Library elevator and several doors at the Civic Center to bring them to ADA standards and provide better access for people with disabilities.

***Neighborhood Center Kitchen Upgrade*** – (\$25,000) This project will repair or replace the various kitchen components, in particular the sinks and faucets, garbage disposal and cabinet facings, in the most cost-effective manner. Funding for the kitchen upgrade project comes from a fund balance transfer from the Building Maintenance Fund.

### **Equipment:**

***Information Systems Upgrades*** – (\$133,910) The CIP proposes carryover funding from the prior year to upgrade the Town's financial/human resource system which is technologically outdated and extremely limited in providing necessary reports and desired online and e-government services. The proposed upgrades to the information databases will enhance reporting and enable the provision of web-based online services in the future. The project is being coordinated with the upgrade of the Town's existing permit tracking system, which is currently underway in the Community Development department.

***Library Circulation Management Systems Upgrade*** – (\$115,000) The CIP includes a project to upgrade the self-check system and materials inventory tracking system at the library.

# PROPOSED CAPITAL IMPROVEMENT PROGRAM

## Introduction Section


### Outstanding Issues

This first year (FY 2007/08) of the CIP is a challenging work plan, implementing many high priority projects for the Town. The current improved funding opportunity available from the General Fund Reserve for Future and Special Projects is a welcome development for preparing the five year plan. as more progress can be accomplished in addressing the Council's desire to invest strategically in the Town's infrastructure. The CIP transmittal letter highlights progress made to date and challenges still ahead to adequately fund the Town's street infrastructure system. There are other priority needs such as retaining walls and sidewalk repairs for which long-term adequate funding is not currently available. In addition, if the Town Council approves the purchase of the Verizon property on Los Gatos Blvd. for police services, funds will be needed for the tenant and site improvements on the property. Implementation of the Civic Center Master Plan will also require more funds than currently available in the CIP. Staff will develop funding strategies for these priority projects as they evolve.

### **Conclusion**

The challenge of finding a reliable ongoing revenue stream available for capital projects continues to be a Town priority. Recognizing the realities of funding challenges and uncertain local economic developments, the Town's Proposed FYs 2007/08-2011/12 Capital Improvement Plan continues a strategy of funding the Town's most urgent capital needs. With the Parks & Public Works Department in transition this year due to the December 2006 retirement of the Director, staff has limited the number of new project initiatives and significant emphasis will be placed on completing the carryover projects, many of which are multi-year or recurring projects, in a timely manner.

I would like to thank: Kevin Rohani, Interim Parks & Public Works Director; Melissa Huang, Assistant Civil Engineer; Mary Gillespie-Greenberg, Parks & Public Works Analyst; Stephen Conway, Finance and Administrative Services Director; Bud Lortz, Community Development Director; Randy Tsuda, Assistant Director of Community Development; Pamela Jacobs, Assistant Town Manager; Glenda Cracknell, Accountant/Finance Analyst; Jenny Haruyama, Administrative Programs Manager; Gitta Ungvari, Intern, and Linda Isherwood, Accountant/Administrative Analyst, for their countless hours of work and tireless efforts to present this Capital Improvement Program to the Town Council.



Respectfully submitted,  
Debra J. Figone  
Town Manager

# **FY 2007/08 – 2011/12 CAPITAL IMPROVEMENT PLAN**

## **BUDGET ADDENDUM**

The Council's adoption of the Capital Improvement Plan will appropriate the first year of budgeted revenues, expenditures, and operating transfers as outlined in the budget document. The CIP's out years reflect the established plan at the time of adoption. As appropriate, out-year plans will be reviewed and adjusted in following year's Capital Improvement Plans.

This budget addendum section, which follows the proposed budget's Transmittal Letter, conveys Council directed revisions to the proposed budget as determined in May's public hearing on the proposed CIP budget, as well as corrections and project revisions. Council did not direct any project changes, additions, deletions, or funding revisions for the FY 2007/08 – 2011/12 Capital Improvement Plan however, staff determined several modifications were required due to funding adjustments, delays, and corrections. These revisions, as described below, modified the proposed CIP budget, and are incorporated into the final CIP document within the program project sheets and financial summaries.

1. Staff's review of the Redevelopment Agency's funding uses determined a portion of the Downtown Street Resurfacing project for storm drain improvements on North Santa Cruz Avenue in FY 2002/03 was paid for by Redevelopment Agency funds. Staff determined it was appropriate to fund this storm drain work from Storm Drain Basin funding and requested approval for the reallocation of funding. With this funding reallocation, \$400,000 of RDA funds are returned to the agency and made available for appropriation for the remainder of the Downtown Street Resurfacing project. Additionally, \$25,000 of funding remaining from the Parking Lot 5 project was re-appropriated to the Downtown Street Resurfacing Project. Council approved these changes in the June 5, 2006 Council Meeting and are reflected in the FY 2007/08 final budget documents.
2. Council also approved \$255,000 of additional funding for the Los Gatos Almaden Road Street Improvement Project at the June 5, 2006 Town Council Meeting, with a Fund Balance transfer from the General Fund's Capital and Special Projects Reserve. A FY 2005/06 budget adjustment for this transfer to GFAR is reflected in the FY 2007/08 final budget documents.
3. The Highway 9 Safety Improvements Project was originally planned to begin in FY 2005/06 with Bicycle Safety grant funding, and additional interagency funding from Monte Sereno, Saratoga, and Los Gatos. Project approval from Caltrans was delayed and the project is now scheduled to begin in FY 2007/08. As a result, funding appropriations and expenditures were realigned to FY 2007/08 in the final budget document to reflect this change.
4. Staff determined the Wedgewood Avenue Storm Basin Improvement Project was incorrectly appropriated in Storm Drain Basin #2 in the FY 2005/06 budget and brought forward into this year's proposed CIP budget. The project site was subsequently determined to be located in Storm Drain Basin #3. Corrections to budget appropriations and past expenditures were entered for the FY 2007/08 final budget document.

### BUDGET PROCESS OVERVIEW

**T**he Town of Los Gatos adopts an annual Operating and Capital Budget and an annual budget update of the five-year Capital Improvement Plan for the Town of Los Gatos and the Los Gatos Redevelopment Agency (RDA). The budgets contain summary level information for revenue and expenditure appropriations for the fiscal year beginning July 1<sup>st</sup> and ending June 30<sup>th</sup>. The budget documents are prepared in accordance with generally accepted accounting principles (GAAP).

#### ***Budget Purpose***

The Operating and Capital Summary Budget and the Capital Improvement Plan serve as the Town's financial plan, as well as a policy document, a communications tool, and an operations guide. Developed with an emphasis on long range planning, service delivery, and program management, a fundamental purpose of these documents is to provide a linkage between the services and projects the Town and Redevelopment Agency intends to accomplish, and the resources committed to get the work done.

The format of the budget facilitates this linkage by clearly identifying program purpose, key projects, and workplan goals, in relation to revenue and expenditures appropriations.

#### ***Basis of Budgeting and Accounting***

Developed on a program basis with fund level authority, the operating and capital budgets represent services and functions provided by the Town in alignment with the resources allocated during the fiscal year.

The Town's Governmental Funds consist of the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds for both the Town and the Redevelopment Agency (RDA).

Basis of Accounting and Budget refers to the timing factor concept in recognizing

transactions. This basis is a key component of the overall financial system because the budget determines the accounting system. For example, if the budget anticipates revenues on a cash basis, the accounting system must record only cash revenues as receipts. If the budget uses an accrual basis, accounting must do likewise. The Town's budgeting and accounting systems both use a combination of modified accrual and full accrual basis in the accounting and budget systems.

Governmental Fund types and RDA fund budgets are developed using the modified accrual basis of accounting. Under this basis, revenues are estimated for the period if they are susceptible to accrual, e.g. amounts can be determined and will be collected within the current period. Principal and interest on general long-term debt are budgeted as expenditures when due, whereas other expenditures are budgeted for liabilities expected to be incurred during the current period.

Proprietary fund budgets are adopted using the full accrual basis of accounting whereby revenue budget projections are developed recognizing revenues expected to be earned during the period, and expenditures are developed for expenses anticipated to be incurred in the fiscal year. The Town maintains one type of proprietary fund: Internal Service Funds.

The Town's fiduciary funds are also budgeted under the modified accrual basis. The Town administers four trust funds and one agency fund. Trust funds are subject to trust agreement guidelines, and the Agency Fund is held in a purely custodial capacity involving only the receipt, temporary investment, and remittance of resources.

#### ***Summary of Budget Development***

The Town develops its budgets with a team-based budgeting approach. Town Management and the Finance Department guide the process through budget development; however program budgets



and workplans are developed with each department's Director, Analyst and Program Manager's oversight and expertise. This approach allows for hands-on planning and creates a clearer understanding for both management and staff of a program's goals and functions to be accomplished in the next budget year.

### ***The Development Process***

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Typically both the Operating and Capital Budget and Capital Improvement Plan (CIP) processes begin in the fall with the Town Council and Town Manager's collaborative development and refinement of initiatives and directives for the upcoming budget year. The CIP is reviewed during this time to determine funding capabilities, project priorities, and to refine project workplans. Although the CIP budget document is prepared separately from the Operating and Capital Budget, CIP program information is incorporated into the Operating and Capital Summary Budget document through the resulting financial appropriations and service level requirements.

In January the budget preparation process begins officially for staff with a budget kickoff meeting. Budget assumptions, directives and initiatives developed by Town Council and Management are provided to set the Town's overall objectives and goals. Department and agency staff identify and analyze program revenue and expenditure projections in coordination with Finance/Budget staff and Town management. Capital improvement projects are assessed and refined, and CIP funding and appropriation requirements are finalized.

Through rounds of budget briefings and revisions, staff's final program budget and workplans are developed by the end of April; operational and capital workplans are finalized, and the Finance/Budget staff prepares financial summary information for Town Council review in addition to departmental budgets and workplans.

### ***Budget Adoption***

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During the month of May, the Town Council reviews the proposed Operating and Capital Summary Budget, and the Capital Improvement Plan for the five year period in a public hearing. Notice of the hearing is published in a local newspaper at least ten days prior to the Council's public hearing date. The public is invited to participate and copies of the proposed budgets are available for review in the Town Clerk's office and at the budget hearing.

Under requirements established in Section 65401 of the State Government Code, the Town's Planning Commission also reviews the proposed Capital Improvement Plan and reports back to the Town Council as to the conformity of the plan with the Town's Adopted General Plan or part thereof.

Final council-directed revisions to the proposed budget are made and the budget documents are resubmitted to the Town Council for adoption, again in a publicized public hearing prior to the beginning of the fiscal year.

Section 2.30.295(b) of the Los Gatos Town Code requires the Town Manager to annually prepare and submit a budget to the Town Council. This is accomplished in June, when the final proposed budget is formally submitted to the Town Council in the subsequent public hearing.

The approved resolutions to adopt the CIP and operating budgets and the appropriation limitation (Gann Limit) follow this section.

### ***Budget Amendments***

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During the course of the fiscal year, workplan changes and unanticipated needs will necessitate adjustments to the adopted budgets. The Town Manager is authorized to transfer appropriations between categories, departments, projects, and programs within a fund in the adopted budget, whereas the Town Council holds the authority for budget increases and decreases and transfers between funds.

